



CONSULTATION ON: PUBLIC ELECTRICITY SUPPLIER LICENCE

Statement of Results and Final Decision

ES 03/2016

Issue Date: August 5, 2016

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1. Introduction

The Utilities Regulation and Competition Authority (URCA) issues this Statement of Results and Final Decision on its *“Consultation on: Public Electricity Supplier Licence – ES 02/2016”* document (“the Consultation Document”) in exercise of its powers under section 38(3)(c) of the Electricity Act, 2015 (EA). URCA also publishes its finalized text of the Public Electricity Supplier Licence concurrently with the publication of this Statement of Results and Final Decision.

On July 6, 2016 URCA published the Consultation Document and established July 20, 2016 as the closing date for the submission of responses. As stated in the Consultation Document, URCA has regulatory remit for licensing all persons who generate, transmit, distribute or supply electricity within, into, from or through The Bahamas. URCA’s powers and functions are set out in the EA and include the power to grant a licence with terms and conditions consistent with section 48 of the EA and the national energy and electricity sector policies, respectively, as URCA considers appropriate. The EA also requires URCA to issue various types of licences to be granted to specific categories of persons and entities in the Electricity Sector (ES) in The Bahamas. URCA considers the period between which existing electricity service providers are granted an URCA licence in accordance with the EA to be a transitional period.

The Consultation Document was specific to the public electricity supplier licence regulating the electricity generation, transmission, distribution and supply functions of the Bahamas Power and Light Company Limited (BPL) and the Grand Bahama Power Company Limited (GBPC) that URCA intends to issue to BPL and GBPC.

URCA did not pose any specific questions under this Consultation Document. URCA, however, invited general submissions and comments to its approach to licensing under this transitional period of the EA. URCA particularly encouraged submissions and comments on the terms and conditions contained in the draft public electricity supplier licence. URCA did not receive the level of comments it had anticipated as it only received written response and comments from BPL. URCA therefore thanks BPL for its insightful and helpful comments and observations in response to the Consultation Document and the draft public electricity supplier licence.

This Statement of Results and Final Decision now sets out URCA’s reasons and reasoning for its regulatory measure to publish and grant the finalized text of its public electricity supplier licence in accordance with the EA.

2. Purpose of this Statement of Results and Final Decision

- (i) To summarise the written submissions received in response to the Consultation Document and the draft public electricity supplier licence;
- (ii) To provide URCA’s analysis of and comments on the submissions received in response to the Consultation Document and the draft public electricity supplier licence;
- (iii) To set out URCA’s reasons and reasoning for its decisions to the responses to the Consultation Document and the draft public electricity supplier licence; and
- (iv) To set out the basis for the regulatory measure to publish and grant the public electricity supplier licence in accordance with the EA.

3. Overview and General Comments

The consultation process initiated by URCA with the publication of the Consultation Document which provided the formal means through which members of the public and interested parties were able to make written submissions on the subject matter contained therein. URCA is now pleased to publish a summary of such responses to the Consultation Document, its analysis of and comments on the responses, and its Statement of Results and Final Decision in relation thereto. The full text of the responses received to the Consultation Document can be found on the URCA website at www.urbahamas.bs under the ‘Publication’ tab.

URCA understands the importance of an open and transparent consultation process and is therefore satisfied that it has complied with its statutory duty under the EA by affording all persons having interest in the subject matter of the Consultation Document a reasonable opportunity to make submissions. In this regard URCA considers it important to note that the process to prepare, consult and finalise the comprehensive category of licences suitable to address all the matters necessary for the operations of and other ES licences would have required an extensive public engagement outside of this consultation process. As such, the Consultation Document was specific to the public electricity supplier licence intended to be granted to BPL and GBPC for electricity generation, transmission, distribution and supply functions in accordance with the EA.

URCA’s high level overview of the submissions by BPL, as the sole respondent, is that they were generally constructive, insightful and useful. As BPL was the only respondent, URCA has set out below (in tabular form) the full scope of the BPL response and provided URCA’s comments therein.

4. BPL’s Response and URCA’s Comments

Page	Section & Title	BPL Comment	URCA’s Comments
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13	2 - Definitions	'Electricity Supply System', 'IPP' and 'Licensee' are statutory terms defined under the Act. If there is a conflict between the definitions set forth in the License and the statutory terms defined under the Act, the definitions under the Act shall apply. Please clarify intention on use of terms in the License.	URCA is sympathetic to BPL's comments in relation to the terms 'Electricity Supply System' and 'IPP'. URCA will amend the Licence accordingly. However, URCA does not envisage a conflict with the application of the term "Licensee" as defined in the Licence.
14		"Generating Facilities" - It is proposed that this definition be amended to include 'rented' after the word 'controlled' on second line, as BPL would also have rented equipment in some instances.	URCA accepts BPL's proposal and will amend the Licence accordingly.
16		'Subsidiary Undertaking'- the word 'have' is missing.	URCA accepts BPL's proposal and will amend the Licence accordingly.
16		'Transmission Electricity Supply System' – words 'supply electricity' seem to be a typo; please confirm.	URCA accepts BPL's proposal and will amend the Licence accordingly.
16		2.2.2 - reference to 'Communications Act' should read "Electricity Act".	URCA accepts BPL's proposal and will amend the Licence accordingly.
18	Change in Control	5.1 - "Named Licensee" and "Notified Licensee" are not defined terms in the definitions at the beginning of the License. Please define terms.	The term "Named Licensee" is defined under section 2 of the EA and will be so defined under the Licence. The term "Notified Licensee" is set out under section 47(2) of the EA and is to be applied and construed as such under the Licence.
18	Assignment or transfer of licence	6.1: BPL proposes deleting the words on second/third lines - "or transfer or dispose of any of its assets".	Without the benefit of full reasoning by BPL for such proposal, URCA is unable accede to the proposed deletion as it considers the assets necessary to provide the Licensed Business as being a core part of the electricity supply system. URCA however considers that a transfer or disposal of such assets in accordance with this

			licence condition should be a qualified right subject to the ordinary replacement of such assets necessary to provide the Licensed Business.
18		6.3: BPL proposes reduction of time limit for response to 20 calendar days.	The transfer or assignment of the Licensee's right, interest or entitlement in its licence will require URCA to issue a regulatory measure thus allowing the Licensee no less than thirty (30) calendar days to make representations to URCA. The development of the documents giving effect to such regulatory measure will also require additional time by URCA. As such, URCA considers sixty (60) calendar days as a reasonable timeline under Condition 6.3.
19	8.1 Communication	(b) - delete 'Managing Director'	URCA accepts BPL's proposal and will amend the Licence accordingly.
19	8.2	Use of "registered" post to post references is proposed; and add that electronic mail or facsimile deemed to be served "if sent to correct email address or fax number".	URCA accepts BPL's proposal and will amend the Licence accordingly.
21	11 - Obligation to perform	11.1 - BPL proposes 'modern standards' be changed to 'standards agreed by URCA and the Licensee' to ensure clarity and benchmarks to be used; and 'reasonable rates' amended to "approved rates".	URCA considers the requirement for an agreement between the licensee and URCA to be restrictive. The standards established by URCA will be a regulatory measure that will be imposed after consultation with the Licensee. URCA agrees with BPL's proposal to amend 'reasonable rates' to 'approved rates' and will amend the Licence accordingly.

		<p>11.3 - BPL proposes deleting the wording here and using language consistent with. 24.2 instead:</p> <p>"Subject to the provisions of this Licence and to the technical and economic constraints regarding access to the electricity supply system, the Licensee shall provide access to its transmission and/or distribution electricity supply system as appropriate, and interconnection access and service, on a non-discriminatory basis to facilities that it operates on approved requests by IPPs and, where appropriate, other approved transmission licensees."</p> <p>11.4 should move up and become 11.3. (11.3 above should become 11.4)</p>	<p>URCA accepts BPL's proposal and will amend the Licence accordingly.</p>
		<p>11.5 - clarity required as to what 'reasonably practicable steps to maintain' is intended; what standard/criteria will be used to determine this?</p>	<p>This Licence condition is not intended to be overly prescriptive. In the event there is an interruption in service warranting regulatory action, URCA considers that the steps taken by the Licensee anent the proper and effective the functioning of its Generating Facility should be that of a prudent utility practice. URCA will determine this on a case by case basis.</p>
		<p>11.5 (numbering error) - "The Licensee shall inform URCA about measures taken to resolve unplanned interruptions as required by URCA."</p> <p>BPL proposes deletion of this clause, as obligations to report contained under s.16.</p>	<p>URCA accepts BPL's proposal and will amend the Licence accordingly.</p>
22	12 - Step-in Rights of Minister	<p>This part of the licence is related to s.34 of the Act.</p> <p>It is proposed all terms here under (a)</p>	<p>URCA accepts BPL's proposal and will amend the Licence accordingly.</p>

		<p>to (g) be moved to the 'Definitions' section.</p> <p>BPL proposes definition of "Forced Outage" based on IEEE definition standard to be:</p> <p>"A power outage that results from the failure of a system component, requiring that it may be taken out of service immediately, either automatically or by manual switching operations, or an outage caused by improper operation of equipment or human error. This type of power outage is not directly controllable and is usually unexpected.'</p> <p>12.2(b) and (f) - would refer to paragraph 12.3</p>	
23		<p>12.3(a) - Time period concerning 'prompt notice' should be clarified.</p> <p>12.3.b.i.c: BPL proposes amending to read:</p> <p>"an action or failure to act by the Minister, his designee, <u>or any Government of The Bahamas official or designee</u> in contravention. . . "</p>	<p>URCA is sympathetic to BPL's comment and considers that there may be practical challenges for the Minister to give "prompt" notice in every circumstance. As such, URCA will delete the term "prompt" and amend the Licence accordingly.</p> <p>URCA notes BPL's comment regarding s. 12(3)(b)(i)(c) and considers the scope of the persons referred to therein to be restrictive and may have a prejudicial/adverse effect on the Licensee. URCA will therefore amend this condition to include "any public official".</p>
24	Role and Duties of URCA	<p>13: BPL proposes inserting a new section 13.3 after 13.2 to state that:</p> <p>"URCA is to provide the Licensee with 45 days to respond to a notice for data requests to permit and</p>	<p>Without the benefit of full reasoning by BPL, URCA is unable to accede to this proposed insertion. URCA considers it sufficient to state that time given to the</p>

		encourage the Licensee to leverage existing data in cases where URCA makes a request for such data, information or reports, in order to provide the Licensee with the cost build up and justification for an increase in or addition of URCA costs that must be borne by the Licensee, and to permit the Licensee to pass through URCA fees and costs (but not penalties) borne by the Licensee."	Licensee to respond to a notice with be governed by the high level principle of reasonableness and any specific timelines would be guided by the nature and scope of the information request by URCA. URCA considers the URCA fees to be a line item factored into BPL's operating costs.
24	Payment of Fees and Contributions	15.1(a) - the annual URCA fee Licence should take the place of the Business Licence fee. 15.2 Annual Fees should be based on turnover, with the exclusion of fuel charge.	URCA does not have the regulatory power or statutory remit to accede to the replacement of the Business Licence fee with the URCA licence fee. URCA considers that the two are dissimilar in nature and purpose to the extent that the URCA licence fee is specific for the functioning of URCA in accordance with the Electricity Act, 2015 and set out (and explained) in URCA's Fee Schedule, as published annually. The Business Licence fee is a tax imposed by the Government of The Bahamas on all businesses carrying on business in The Bahamas for public good and interest. URCA accepts BPL's proposal that annual fees should be based on turnover, with the exclusion of fuel charge and will amend the Licence accordingly.
25		15.3 - BPL's position above is repeated, i.e. the Annual Fees should be based on turnover, with the	URCA likewise repeats its position above.

		exclusion of fuel charge.	
25	Reporting Obligations	<p>16.1 - 10 years should be changed to 5 years;</p> <p>16.2: BPL proposes to delete this sub-clause.</p> <p>16.4: Change 24 hours to 48 hours.</p> <p>Based on IEE definition of Major Outage (with modification) proposed as follows:</p> <p>"Major Outage - designates an outage that exceeds design limits of facilities and/or equipment that satisfies any of the following:</p> <p>(a) extensive mechanical damage to facilities;</p>	<p>URCA accepts BPL's proposal and will amend the Licence accordingly.</p> <p>URCA disagrees with BPL's proposal to delete condition 16.2 as this is consistent with the statutory requirement under section 48(8)(a)(iv) of the EA. URCA particularly notes, however, that this condition is discretionary by the insertion of the word "may" and not obligatory.</p> <p>URCA disagrees with BPL's proposal to change 24 hours to 48 hours. URCA considers it important to emphasize that informing the public of a major outage by a public electricity supplier licensee as soon as reasonably practicable after it occurs is paramount. Moreover, URCA believes that the Licensee should be best positioned to provide the type of information required under this condition and a preliminary analysis of the outage without undue delay.</p> <p>URCA notes BPL's proposed definition (with modification to that by the IEEE). URCA particularly notes that there is also an alternative definition by the IEEE in this regard to wit: "15% of the customers for the duration of the storm". URCA has also considered the commentary</p>

		<p>(b) more than a specified percentage of customers out of service; and (c) service restoration longer than a specified time. Typical industry criteria would be 10% of customers out of service and 24 hours or more restoration time."</p>	<p>by the IEEF in this regard which states that "utilities are looking for an approach that better defines when an anomaly has occurred on the system".</p> <p>In the circumstances, URCA will retain the condition (with amendment) and signal its intent to conduct future engagement with Licensees in the sector in relation thereto.</p>
26		<p>16.6 - and 16.7 BPL's position is that having submitted the Business Plan for information purposes which was accepted by URCA, the requirement/compliance for the 5 year period has been met.</p>	<p>URCA has amended this condition to the extent that the preparation of the BPL five year forecast and provision of the BPL capital investment plan within the five year period will be discretionary as opposed to obligatory by substituting the word "shall" with the word "may". URCA however considers that the Business Plan is to be updated premised on actual results, which could be for a period less than five years.</p>
26	Economic Purchasing of Goods and Services	<p>17.2-delete "for consideration" at end of sub-clause.</p>	<p>URCA accepts BPL's proposal and will amend the Licence accordingly.</p>
27	Information, Audit Inspection and Access Obligations	<p>20 - BPL proposes adding a time period of 45 days from notice received by URCA in order to provide any requested information. 20.: insert additional provisos that: "URCA shall: 1) provide the Licensee with 45 day period to gather such Information; 2) not publish confidential information that will jeopardize the competitiveness and robustness of</p>	<p>URCA disagrees with the proposed addition as the timeline for URCA's request for information must be determined on a case by case basis predicated on a reasonable time for such response by the Licensee depending on the scope of the requested information. In this regard URCA will adhere to section 74 of EA at all</p>

		offers from and negotiations with counter parties, and 3) notify Licensee when and in what periodicals information or data is published. 20.2 - second line - delete words "as URCA may specify" and replace with "available to Licensee".	times. URCA's has sole discretion to treat with information in a confidential manner subject to section 75 of the EA.
29	Outsourcing	23-- BPL proposes deletion of this clause.	URCA accepts BPL's proposal and will amend the Licence accordingly.
29	24 - Duties of Licensee	24.2 - mirrors 11.3 as noted above; the requirement to provide access and service ought to be on approved requests.	URCA accepts BPL's proposal and will amend the Licence accordingly.
30	Transmission and distribution standards	s.25 - BPL proposes on third line move the words "Canadian Standards Association (CSA)" to the last line at end of the clause. Additionally, delete the words "the and other" which remain on same third line, so it reads: "the Standards issued by recognised international standards institutions such as..."	URCA accepts BPL's proposal and will amend the Licence accordingly.
30	26 - Technical Service Levels	26.1 - BPL proposes deleting the words "from time to time" at the end of the sub-cause. 26.2 BPL proposes adding to end of this sub-clause: "within 45 days of the approved financial period". 26.3, 26.4 and 26.6 - BPL proposes deletion of these sub-clauses.	URCA accepts BPL's proposal and will amend the Licence accordingly. See URCA's comment in relation to condition 20 above. URCA disagrees with the proposed deletion as they provide the framework for developing the relevant plan.
		26.8: BPL proposes adding "URCA shall not publish confidential information that prejudices the Licensee's ability to enter into or maintain competitive agreements with counter-parties."	See URCA's comment in relation to condition 20 above as it pertains to confidentiality.
31	Development of and	27 .4: BPL proposes inserting proviso that:	URCA disagrees with BPL's proposal to the extent that it

	compliance with technical and operational codes	"URCA shall consult with Licensee to define any changes or additions to technical codes, and shall not unreasonably require such changes or additions unless the Licensee is in breach of a technical code or codes."	does not follow that URCA would seek to change technical or operational codes because BPL was in breach of such codes. Further, the duty to consult, and the manner for consultation, is clearly stated in 27.3 and more particularly the EA.
32	Duties of Licensee	28.3 - Second line - BPL proposes deletion of words "or is qualified to enter" which would impose a duty on a licensee to provide service without an agreement. Such a duty would also offend the existing Regulations of s.60 (5) - Application for Supply of Electricity, generally, and 5(c), in particular: "(c) Application for supply of electricity shall be made by the owner or occupant of the premises in respect of which the installation has been completed. Connection to provide a supply of electricity shall in all cases be subject to the acceptance by the Corporation of the installation and to the completion of a Supply Agreement between the applicant and the Corporation. The Corporation may, at its discretion, require the applicant to pay a deposit not exceeding the estimated cost of one quarter's consumption as estimated by the Corporation, together with a sum to cover the proper care and maintenance of meters and other fixtures installed by the Corporation on the consumer's property, before connection providing electricity be made."	URCA broadly accepts BPL's proposal and will amend the Licence accordingly.
33	29 - duty to secure long term electricity supply	29.4 - BPL proposes adding time factor that URCA shall provide a written decision within 10 days of notice, and URCA shall not unreasonably withhold its written	URCA will amend the Licence to reflect that "such consent not to be unreasonably delayed or withheld".

	(heading needs to be checked)	consent.	
36	Preparation, review of and compliance with codes of practice	33: BPL proposes deletion of all clauses here and simply state that "the Licensee shall adhere to the applicable statute laws and the Customer Protection Plan filed with URCA".	URCA broadly accepts BPL's proposal and will amend the Licence accordingly. However, URCA will substitute the words "filed with" for "approved by" and will retain the existing condition 33.2.
37	Duties as electricity supply system operator	35.5 - BPL requires confirmation of the guidelines to be used.	The guidelines will be regulatory measures established by URCA. As such, URCA signals its intent to develop the referenced guidelines in consultation with Licensee.
		35.7 BPL proposes deletion of the words "in consultation with URCA" on second line.	URCA accepts BPL's proposal and will amend the Licence accordingly.
40	Renewable energy/ development and operations	39.1 - BPL proposes deletion of words "both at the wholesale and customer owned-on-site levels" from second line.	URCA accepts BPL's proposal and will amend the Licence accordingly.
40	Part G	Typo in heading 'Mechanism'	URCA accepts BPL's proposal and will amend the Licence accordingly.
43	Part H- Transitional Condition	BPL proposes inserting a sentence at the end of this paragraph that says: "For the avoidance of doubt, if there is a conflict between the terms in the License and resulting actions that URCA would take under the License, versus the terms in the Act and resulting actions that URCA would take under the Act, the terms in the Act shall apply.	URCA accepts BPL's proposal and will amend the Licence accordingly.

5. URCA's Final Decision

HAVING REGARD TO THE ELECTRICITY ACT, 2015, THE MAIN OBJECTIVES OF THE NATIONAL ENERGY AND ELECTRICITY SECTOR POLICIES IN THE BAHAMAS; AND

HAVING REGARD TO THE CONSULTATION ON PUBLIC ELECTRICITY SUPPLIER LICENCE – ES 02/2016 ISSUED BY THE UTILITIES REGULATION AND COMPETITION AUTHORITY ON JULY 6, 2016, AND THE COMMENTS SUBMITTED IN RESPONSE THERETO BY INTERESTED PARTIES,

THE UTILITIES REGULATION AND COMPETITION AUTHORITY IN EXERCISE OF ITS POWERS PURSUANT TO SECTION 38(3)(C) OF THE ELECTRICITY ACT, 2015, HEREBY MAKES THE FOLLOWING FINAL DECISION:

For the reasoning and reasons set out in the foregoing Statement of Results and Final Decision, the Utilities Regulation and Competition Authority (URCA) determines that:

1. The Terms and Conditions for a Public Electricity Supplier Licence as contained in Annex A to this Final Decision are final and shall take effect from the date of publication thereof on the URCA website;
2. This Final Decision will be reviewed when conditions, as determined by URCA, warrant it;
3. This Final Decision is without prejudice to URCA's powers under the Electricity Act, 2015, the outcome of any ongoing or future consultation, regulatory or other measures carried out by URCA pursuant to such powers;
4. This Final Decision shall come into effect from the date of its issuance; and
5. Except in so far as the context otherwise requires, words or expressions shall have the meaning assigned to them in the Electricity Act, 2015.

**For the Utilities Regulation and Competition Authority
Kathleen Riviere-Smith
Chief Executive Officer**

August 5, 2016

Annex A:

Public Electricity Supplier Licence

NAME OF LICENSEE:

ADDRESS OF LICENSEE:

Commencement Date:

Licence Number:

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PART A – GRANT OF THE LICENCE

- 1 The Utilities Regulation and Competition Authority (URCA) in exercise of its powers conferred by section 45 of the Electricity Act, 2015 **HEREBY GRANTS** to [NAME OF LICENSEE] (the Licensee) a Licence authorising the Licensee to generate, transmit, distribute and supply electricity for public and private purposes in the Service Territory subject to the conditions set out in this Licence.
- 2 This Licence shall be cited as the [NAME OF LICENSEE] Public Electricity Supplier Licence.
- 3 This Licence shall come into effect on the [DATE] (the Commencement Date) and shall continue in full force and effect until termination or expiry unless amended, revoked or terminated pursuant to the terms and conditions set out herein.
- 4 The Conditions of this Licence are subject to amendment or modification in accordance with their terms or in accordance with the Electricity Act, 2015.
- 5 This Licence shall be governed by and construed, enforced and performed in accordance with the laws of the Commonwealth of The Bahamas.

Sealed and executed for and on behalf of the Utilities Regulation and Competition Authority on the xx day of [DATE]

Chief Executive Officer

PART B – GENERAL CONDITIONS

2 DEFINITIONS AND INTERPRETATION

2.1 In this Licence, except in so far as the context otherwise requires:

“Act” means the Electricity Act, 2015;

"Affiliate" in relation to any entity means any holding company or subsidiary of that person or any subsidiary of a holding company of that person in each case within the meaning of the Companies Act;

"Assets" mean the material assets and facilities owned, operated or leased by the Licensee, including the real estate;

“Catastrophic Failure” means a sudden and unexpected failure of any part of the Electricity Supply System which renders the Electricity Supply System in whole or in part economically or technically unfit to operate;

“Company” means [NAME OF LICENSEE];

"Companies Act" means the Companies Act, Chapter 308 and any amendments thereto;

"Distribution Line” means any electric power line that delivers power to consumers;

"Distribution Electricity Supply System” means the network, including substations, distribution lines, transformers and other apparatus that receives electricity from the transmission Electricity Supply System and delivers it to customers;

“Electrical Inspector” or **“Inspector”** has the same meaning as defined in the Act;

"Electricity Supply System" means the network of electrical components used to generate, transmit, distribute and supply electric power;

"Fair Market Value" means the market value of the Licensee when evaluated as an ongoing business concern including this Licence and all lands, buildings, works, materials, plant and property of all kinds whatsoever suitable to or intended for the purposes of the undertaking and shall be determined in a manner that complies with

the term Fair Market Value as defined by the American Society of Appraisers, that is the price, expressed in cash equivalents, at which the Shares would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open unrestricted market when neither is under any compulsion to buy or sell and when both have reasonable knowledge of the relevant facts. Fair market value shall be the average value as determined by a panel of three (3) independent valuation experts, one to be selected by the Minister, one by the Licensee and one, who shall be Chairman of the panel, to be selected by the two other members. In the event that the nominees cannot agree on the selection, the Chairman shall at the written request of the parties, be appointed by URCA;

"Financial Year" means the twelve month period at the end of which the Licensee's annual accounts are closed;

"Force Majeure" means an event or circumstance which prevents the Licensee from performing its obligations under this Licence, which event or circumstance is not within the reasonable control of, or the result of the negligence of, the Licensee, and which the Licensee is unable to overcome or avoid or cause to be avoided through the exercise of due diligence. Events of Force Majeure may include, but are not limited to, acts of God; fire including fire resulting from an earthquake; flood including flood caused by an earthquake; volcanic eruption; earthquake; hurricane; cyclone; tornado; windstorm; overflow of the sea caused by the elements listed above; war; riots; acts of terrorism; strikes; walkouts; lockouts and other labour disputes; requirements, actions or failure to act on the part of governmental authorities; adoption or change in any law, regulation, statute, rule or regulation imposed by governmental bodies, including, without limitation, a change in the interpretation thereof; or any lawful order by any court or administrative agency (so long as the Licensee has not applied for or assisted in the application for such court or governmental action);

"Forced Outage" means a power outage that results from the failure of a system component, requiring that it may be taken out of service immediately, either automatically or by manual switching operations, or an outage caused by improper operation of equipment or human error. This type of power outage is not directly controllable and is usually unexpected;

"Generating Facility/Facilities" means any power plant(s) and associated equipment owned, controlled or rented by the Licensee and used for the production of electricity pursuant to a licence issued by URCA;

"Generation Licence" means a licence granted under the Act authorising a Licensee to carry out the generation of electricity for supply to the Electricity Supply System;

"Generation Licensee" means the holder of a generation licence granted by URCA under the Act;

"Generation Set" means any plant or apparatus used for the production of electricity;

“Government” means the Government of the Commonwealth of The Bahamas;

"Governmental Authority" means any (a) national, municipal, central or local government, department, central bank, court, council, commission, board, bureau, tribunal, agency or instrumentality of the Commonwealth of The Bahamas or (b) any subdivision, agent, commission, board or authority of any of the foregoing;

"Governmental Requirement" means all Acts, statutes, orders, ordinances, injunctions, constitutional provisions, treaties, licences, notices, rules, rulings, regulations, concessions, decisions, authorizations, consents, decrees, permits, proclamations, instructions, certifications, judgments, verdicts, confirmations, approvals, filings or similar items of, or granted by, any Governmental Authority which are applicable to the Licensee;

"Independent Power Producer (IPP)" means a person who has been defined as an independent power producer in accordance with section 2 of the Act;

"Initial Period" shall have the meaning specified in paragraph 2 of Condition 12;

"Licensed Business" means the utility business of the Licensee comprising its Generation, Transmission, Distribution and Supply business;

"Licence Processing Fees" means fees prescribed by URCA for the processing of an application for the grant of a licence pursuant to the Act;

"Licensee" means [Name of Company];

"Minister" means the Minister with portfolio responsibility for the electricity sector;

"Named Licensee" means a person who has been defined as a Named Licensee in accordance with section 2 of the Act;

"Outside person" means any person who is not an Affiliate of the Licensee;

"Person" means any individual, partnership, joint venture, association, trust company, or corporation;

"Power Purchase Agreement (PPA)" means a contract with an Independent Power Producer for the provision of either electrical energy only or electrical energy and capacity;

"Real Estate" means all of the real property (including any interests in real property, material easements and related rights) owned or leased by the Licensee;

"Regulatory Accounts" means the reports on the financial and operating performance of the Licensee in such detail and format as designated by URCA;

“Related Party” shall have the meaning defined under the International Financial Reporting Standards (IFRS);

"Scheduled Outage" means a partial or complete interruption of Electricity Supply System and/or any Generation Facility operation that (i) has been planned in advance; and (ii) is for inspection, testing, preventative maintenance, corrective maintenance or improvement;

“Service Territory” means, for the purpose of this Licence, within, into, from and through the Commonwealth of The Bahamas save and except for in the Port Area of Grand Bahama];

“Shares” means the issued and outstanding shares of the Licensee;

"Step-in Event" shall have the meaning specified in paragraph 2 of this Condition 12;

"Subsidiary" shall have the meaning specified in the Companies Act;

“Subsidiary Undertaking” shall have the meaning specified under the Act;

"Take-over Period" means the period of time commencing on the date that the Minister or his designee enters any and/or all site(s) and begins to operate the Electricity Supply System and/or any Generation Facility and ending on the date the Licensee re-enters any and/or all site(s) and recommences operation of the Electricity Supply System and/or any Generation Facility;

"Transmission Line" means any electric power line that is used for the bulk transfer of electrical energy from generating facilities for delivery to the distribution Electricity Supply System;

"Transmission Electricity Supply System" means the electrical power lines and associated apparatus that are used for the bulk transfer of electrical energy from generating facilities for delivery to the distribution Electricity Supply System;

"UAT" mean the Utilities Appeal Tribunal established under the Utilities Appeal Tribunal Act, 2009;

"URCA Fees" mean the Fees prescribed by URCA pursuant to the Act.

2.2 For the purpose of interpreting the Conditions in this Licence:

2.2.1 except in so far as the context otherwise requires, words or expressions shall have the meaning assigned to them in:

(a) the Licence, and otherwise;

- (b) the Electricity Act, 2015, and otherwise;
 - (c) [the Electricity Rate Reduction Bond Act, 2015, and otherwise;
 - (d) the URCA Act, and otherwise
 - (e) the UAT Act.
- 2.2.2 for ease of reference, in this Licence terms defined in the Electricity Act, 2015 have been capitalised;
- 2.2.3 references to Conditions, paragraphs, subparagraphs and appendices are to Conditions, paragraphs, subparagraphs of and to the appendices to the Licence, as modified from time to time in accordance with this Licence and the Electricity Act, 2015;
- 2.2.4 a Document will be incorporated into and form part of the Licence if it is referred to in this Licence and a reference to a Document is to a Document as modified from time to time;
- 2.2.5 headings and titles used in this Licence are for reference only and shall not affect its interpretation or construction;
- 2.2.6 references to any law or statutory instrument include any modification re-enactment or legislative provisions substituted for the same;
- 2.2.7 use of the word “include” or “including” is to be construed as being without limitation;
- 2.2.8 expressions cognate with those referred to in this Licence shall be construed accordingly;
- 2.2.9 words importing: (i) the singular only shall include the plural and vice versa; (ii) the whole shall be treated as including a reference to any part; and (iii) any gender shall include all other genders; and
- 2.2.10 reference to persons shall include firms or companies.

3 NATURE AND SCOPE OF THE LICENCE

- 3.1 This Licence authorizes and gives the Licensee the right to generate, transmit, distribute and supply electricity for sale to the public in the Service Territory and to operate, construct, reconstruct, modify or replace the generation, transmission, distribution and supply facilities for these purposes subject to the Licence conditions, the Act and any other relevant law for the time being in force.

- 3.2 The Licensee has the right to supply for sale electricity to third parties for public and private purposes in the Service Territory for which the Licensee is entitled to bill consumers and customers for the electricity supplied at the rates and charges approved in accordance with the Electricity Act, 2015.
- 3.3 This Licence authorizes and gives the Licensee the right to purchase electricity (capacity and energy) in bulk from Independent Power Producers under Power Purchase Agreements for transmission, distribution, supply and sale in the Service Territory.

4 DURATION AND RENEWAL OF LICENCE

- 4.1 Subject to the provisions herein contained, the duration of this Licence shall be for a period not exceeding one (1) year from the Commencement Date.
- 4.2 The Licensee may at any time apply for an extension of the duration of this Licence having regard to any approved investment programme and/or the requirements of any PPA entered into by the Licensee with an IPP for a period which extends beyond the remaining life of the Licence.
- 4.3 The Licence may be further renewed as specified by the procedures at section 45 of the Act.

5 CHANGE IN CONTROL

- 5.1 The Licensee shall obtain URCA's written approval of any change in control of the Named Licensee or any Notified Licensee, as prescribed in accordance with section 47 of the Act, prior to the change in control occurring.
- 5.2 Without limiting URCA's ability and duty to apply the merger control provisions in sections 57 to 62 of the Electricity Act, URCA may object to a change in control if in URCA's view the acquirer would not meet any of the criteria referred to in, or set by URCA pursuant to, section 45(2) of the Electricity Act.

6 ASSIGNMENT OR TRANSFER OF LICENCE

- 6.1 The Licensee shall not, without the prior written consent of URCA, transfer, sub-license, assign or grant any right, interest or entitlement in the Licence to any person or transfer or dispose of any of its assets that are necessary to provide the Licensed Business that the Licensee is obliged to provide under this Licence save in the ordinary course of replacement of such assets necessary to provide the Licensed Business. Such consent shall not be unreasonably withheld.
- 6.2 URCA shall consent to an application for the assignment or transfer of the Licence where URCA is satisfied that the proposed assignee or transferee satisfies the criteria set out

under Section 45(2) of the Act and any other criteria established by URCA pursuant to the electricity sector policy and objectives under the Act.

- 6.3 Should the Licensee wish to assign or transfer the Licence, it shall request, in writing, the consent of URCA and URCA shall reply in writing within sixty (60) calendar days of the receipt of such request informing of its decision on the application.
- 6.4 URCA shall publish its decision regarding a request to assign or transfer the Licence and its decision on its website and in the public media.
- 6.5 Where URCA refuses to give its consent it shall give reasons in writing for such refusal to the Licensee.
- 6.6 The Licensee may apply to URCA for a reconsideration of its decision not to assign or transfer its Licence and may appeal any decision made by URCA to the UAT following any such reconsideration in accordance with Condition 14 herein.

7 AMENDMENT, MODIFICATION AND REVOCATION OF LICENCE

- 7.1 URCA may revoke or modify this Licence in accordance with the procedures set out in section 49 of the Act.

8 COMMUNICATIONS AND NOTICES

- 8.1 Notices, orders and other documents under this Licence may be in writing or in print or in electronic format (permitting confirmation of receipt) and shall, if served on:
 - (a) URCA be addressed to:
the Chief Executive Officer; and
 - (b) the Licensee, be addressed to:
the Chief Executive Officer.
- 8.2 Any notice, order or document required or authorized to be served upon a body or person under this Licence may be served by the same being addressed to such body or person and being left at or transmitted by electronic mail or facsimile or by post to the address of such body or to the usual or last known place of abode of such person. If served by post it shall be deemed to have been served at the time when the containing letter would be delivered in the ordinary course of post and in proving such service it shall be sufficient to prove that such letter was properly addressed and put into the post. If served by electronic mail or facsimile it shall be deemed to have been served when the electronic mail or facsimile shall have been sent to the correct email address or fax number.

- 8.3 Notwithstanding the above, the Licensee shall designate a person that will act as a primary contact with URCA on matters related to this Licence and shall notify URCA promptly should the contact details change.
- 8.4 URCA may designate the Director of Utilities and Energy as the primary contact on matters related to this Licence.

PART C - GENERAL OBLIGATIONS

9 OBLIGATION TO COMPLY WITH LAWS, REGULATIONS AND LICENCE CONDITIONS

- 9.1 The Licensee shall comply with the Act and any other Act of the Commonwealth of The Bahamas that has application to it in the discharge of its performance under this Licence.
- 9.2 The Licensee shall comply with regulatory and other measures including any directive, order, rule, decision or approval issued, made or granted by URCA in accordance with its duties and functions under the Act or this Licence.

10 BREACH OF LICENCE CONDITIONS

- 10.1 Where URCA has reason to believe that the Licensee has failed to comply with any relevant law, regulation or condition of this licence, URCA may exercise all such powers and duties as are afforded to or required of it under the Act or any other relevant law and may take all such action as is permitted to it thereunder against either the Licensee or its subsidiary undertaking.
- 10.2 The Licensee shall be liable for all the acts and omissions of each of its subsidiary undertakings in respect of its obligations under this Licence.
- 10.3 Without prejudice to the Named Licensee's other obligations under this Licence, where a Notified Licensee has done something which would if done by the Named Licensee:
- (a) be prohibited or not authorised by any relevant law, regulation or condition of this Licence; or
 - (b) require the Named Licensee to take or refrain from taking a particular action under any relevant law, regulation or condition of this Licence and that no Licensee, including the Named Licensee, has met that further requirement,

then, where URCA is not satisfied that the Named Licensee has taken all reasonable steps to prevent its Notified Licensee undertaking from acting in that manner, URCA may direct that the Named Licensee take such steps as URCA deems appropriate for the purpose of remedying the matter, including restraining the defaulting Notified Licensee

from carrying on with such activities connected with the Licensed Business as URCA may determine.

11 OBLIGATIONS TO PERFORM

- 11.1 The Licensee shall provide an adequate, safe and efficient service based on industry standards, to the Service Territory at approved rates so as to meet the electricity demand and to contribute to national economic development.
- 11.2 Subject to the provisions of this Licence and directions of URCA, the Licensee shall ensure that the development of the Electricity Supply System is implemented based on agreed long term planning procedures and methodologies and that investments are made consistent with such plans and in conformity with prudent utility practice so as to ensure adequacy and continuity of supply at the least economic cost while at the same time ensuring that the Licensee earns a reasonable return on its investment.
- 11.3 Subject to the provisions of this Licence and to the technical and economic constraints regarding access to the Electricity Supply System, the Licensee shall provide access to its transmission and/or distribution Electricity Supply System as appropriate and interconnection access and service, on a non - discriminatory basis to the facilities that it operates on approved requests by IPPs and, where appropriate, other approved transmission Licensees.
- 11.4 The Licensee shall, to the extent that it is technically feasible and economically reasonable employ modern and leading edge technological solutions to secure optimal efficiencies in its operations. The Licensee shall take all reasonable steps to prevent and resolve unplanned interruptions to the provision of its Licensed Business.
- 11.5 Subject to technical and economic constraints, the Licensee shall take all reasonably practicable steps in accordance with prudent utility practice to maintain, to the greatest extent possible, the proper and effective functioning of its Generating Facility and Licensed Business provided by it at all times.

12 STEP-IN-RIGHTS OF THE MINISTER

- 12.1 The relationship and role of the Minister to the Licensee and the performance under this Licence shall be provided for under the Act and as expressly provided for in this Licence.
- 12.2 Where the Licensee shall have ceased to operate all, or any substantial part of the Electricity Supply System and/or any Generation Facility for a period of forty-eight (48) consecutive hours (the Initial Period) without the prior written consent of URCA (a Step-in Event), then the Minister or his designee shall be entitled to enter any and/or all of

the site(s) and operate the Electricity Supply System and/or any Generation Facility, provided however, that:

- (a) the Minister shall make all effort to give reasonable notice to the Licensee determining that the Initial Period has concluded, the said notice to be provided by means reasonably calculated to ensure prompt actual notice to the Licensee; and
- (b)
 - (i) a Step-in Event shall not have occurred and the Minister or his designee shall not be entitled to enter any and/or all of the site(s) and operate the Electricity Supply System and/or any Generation Facility if the cessation of operation resulted from -
 - (a) an event of Force Majeure;
 - (b) a Forced Outage or a Scheduled Outage; or
 - (c) an action or failure to act by the Minister, his designee or any public official, in contravention of any right or entitlement of the Licensee under this Licence; or
 - (ii) to the extent that the Licensee is proceeding with diligence and good faith to overcome or remedy such event and such event is overcome or remedied within forty-eight (48) hours immediately after the Initial Period.

12.3 Where the Minister or his designee enters any and/or all site(s) and operates the Electricity Supply System and/or any Generation Facility upon the occurrence of a Step-in Event, the Minister or his designee shall operate the Electricity Supply System and/or any Generation Facility in accordance with prudent utility practice, but in any event, at not less than the same standards that were used to operate the Electricity Supply System and/or any Generation Facility prior to the date of occurrence of the Step-in Event.

12.4 Upon the occurrence of a Step-in Event, the Minister or his designee shall be entitled to enter any and/or all of the site(s) and operate the Electricity Supply System and/or any Generation Facility until the Licensee demonstrates to the reasonable satisfaction of the Minister that it can resume proper operation of the Electricity Supply System in accordance with the terms and conditions of the Licence and that the Step-in Event will be overcome or remedied. The Licensee must demonstrate to the Minister that it can and will secure or otherwise acquire and utilise:

- (a) the requisite qualified personnel;
- (b) sufficient financial resources; and
- (c) any other resources identified to be needed in each case to resume proper

operation of the Electricity Supply System and/or any Generation Facility in accordance with the terms and conditions of this Licence and to overcome or remedy the Step-in Event.

- 12.5 The Minister may designate any other qualified person as his designee for purposes of exercising any of the powers conferred by this Condition 12.

13 ROLE AND DUTIES OF URCA

13.1 The Licensee shall be subject to the regulatory supervision of URCA. URCA shall perform its functions and carry out its duties pursuant to the URCA Act, the Act and any other relevant laws, this Licence and have regard to relevant Government policy.

13.2 In carrying out its functions URCA shall act proportionately and non-discriminately balancing the interests of consumers with those of the Licensee.

14 APPEALS TO UAT

14.1 Appeals of regulatory or other measures taken by URCA in relation to this Licence shall be made to the Utilities Appeal Tribunal as provided for in the Act and the URCA Act.

15 PAYMENT OF FEES AND CONTRIBUTIONS

15.1 The Licensee shall pay to URCA the following fees and contributions as notified by URCA from time to time in accordance with the Act:

- (a) annual URCA Fee pursuant to section 54(2)(d) of the Act;
- (b) the Tribunal Fee payable pursuant to Schedule 3 of the Utilities Appeal Tribunal Act, 2009; and
- (c) any other applicable fees and charges.

15.2 For each Financial Year of the Licence, any annual fees payable by the Licensee under section 54(2)(d) of the Act shall be based upon the following accounts in relation to the Licensed Business or, where appropriate, business plan for the Licensee and each of the subsidiary undertaking (or, where these are consolidated, the Licensee's consolidated accounts showing the turnover and revenue for the Licensee and each of the subsidiary undertakings), with the exclusion of fuel charge:

- (a) the last available audited accounts; or

- (b) where the audited accounts are not available or those accounts do not include any Relevant Turnover as defined in the Act, accounts certified by an accountant in possession of a practising certificate issued by The Bahamas Institute of Chartered Accountants; or
 - (c) where the Licensee does not have any available accounts certified by an accountant in possession of a practising certificate issued by The Bahamas Institute of Chartered Accountants, the expected Relevant Turnover in the Licensee's business plan.
- 15.3 The annual fees calculated in accordance with Condition 15.2 herein shall be paid in advance on the first day of the Financial Year, with any adjustment due as a result of the audited accounts for that Financial Year becoming available being paid to URCA (or deducted from any other payment due to URCA) on the first day of the next Financial Year.
- 15.4 Without prejudice to Condition 10 herein, in the event of a default by the Licensee in the payment of any fees when due under this Licence:
- (a) the Licensee shall pay to URCA interest under section 54(5) of the Act; and
 - (b) URCA may revoke this Licence in accordance with Condition 7 herein.

16 **REPORTING OBLIGATIONS**

- 16.1 The Licensee shall submit its audited financial statements, with certificate of the external auditors, for the Licensed Business and the accompanying annual report (which shall provide together with the current year at least five (5) years of operating and financial statistics) to URCA as required by URCA having regard to the Licensee's requirements for its annual report and audited financial statements.
- 16.2 URCA may require the Licensee to maintain an Electricity Supply System of separate regulatory accounts for regulatory reporting and tariff analysis.
- 16.3 The Licensee shall furnish to URCA without undue delay such information, documents and details related to the Licensed Business, as URCA may reasonably require in order for it to fulfil its functions and discharge its obligations under the Act.
- 16.4 A request for information by URCA under this licence shall be in accordance with section 74 of the Act.
- 16.5 The Licensee shall provide a Major Outage Report to URCA within 24 hours of a major outage detailing, to the extent possible, the: (i) cause of outage; (ii) geographic area affected by the outage; (iii) number of customers affected by the outage; (iv) steps taken to restore service to the affected area; and (v) time taken for restoration of

service. A Major Outage is defined as one that affects a significant geographic area that lasts longer than two (2) hours or any island-wide blackout.

- 16.6 The Licensee shall provide such other specified and relevant reports to URCA as may be reasonably required from time to time.
- 16.7 The Licensee may annually, or as required by URCA, prepare and submit to URCA a five year forecast of projected demand and generation requirements.
- 16.8 The Licensee may annually, or as required by URCA, provide URCA with its capital investment plan and updated five year capital investment plan.
- 16.9 The Licensee shall, in accordance with good industry practice, maintain and keep all appropriate books, records and accounts in respect of the activities to which this Licence relates including but is not limited to System Average Interruption Duration (SAIDI), the System Average Interruption Frequency Index (SAIFI) and Customer Average Interruption Duration Index (CAIDI) and such other internationally accepted utility industry performance indicators as URCA may direct.

17 ECONOMIC PURCHASING OF GOODS AND SERVICES

- 17.1 The Licensee shall exercise prudence in the purchase or acquisition of goods and services having regard to the quantity, timing and nature of the goods or services required to enable it to discharge its obligations under this Licence.
- 17.2 The Licensee shall, if requested by URCA, submit its procedures for procurement to URCA.
- 17.3 Nothing in the foregoing shall preclude the Licensee from outsourcing for goods and services through or from a Related Party so long as the Licensee can demonstrate at all times that such procurement is on terms which it would obtain if such goods and services were procured competitively.
- 17.4 The Licensee in discharging its responsibility to procure or manage the procurement of goods and services shall follow best commercial practices designed to ensure fairness, transparency and value for money.

18 RELATED PARTY TRANSACTIONS

- 18.1 In the case of a Related Party, transactions shall be at arm's length and the Licensee shall apply the same tests for economic choice and financial probity as if the related party were an unrelated third party.

19 CONSUMER PROTECTION OBLIGATIONS

19.1 Subject only to its rights conferred under this Licence, the Licensee shall:

- (a) comply with any regulatory and other measures including direction or order made by URCA which URCA determines is intended to prevent the abuse of its monopoly position in the provision of the Licensed Business to customers;
- (b) not take or omit to take any action or otherwise conduct itself in a manner which is intended to have, has or is likely to have the effect of restricting, distorting or preventing competition in the procurement of generation capacity where this has been determined as the appropriate recourse for adding capacity; and
- (c) comply with any direction issued by URCA for the purpose of preventing any practice or arrangement that has the object or effect of preventing, restricting or distorting such competition or behaviour which URCA determines to be an abuse of its monopoly position.

20 INFORMATION, AUDIT, INSPECTION AND ACCESS OBLIGATIONS

20.1 URCA may require:

- (a) an inspection and/or audit of any aspect of the business of the Licensee and the Licensee shall assist or shall procure assistance to URCA as it may reasonably require;
- (b) the Licensee or any of its subsidiary undertakings to provide URCA with such information, documents, accounts, returns, estimates, reports or other information required by URCA in the manner and at the times specified by URCA. URCA may use this information for, but not limited to, purposes of compiling statistics and publishing periodical reviews of the Electricity Sector, and as required or permitted by the Act or other laws or legal process;
- (c) the Licensee to notify URCA of the details of all subsidiary undertakings providing a Licensed Business under this Licence; and
- (d) the Licensee to permit a person authorised by URCA to carry out such inspection and/or audit;

20.2 The Licensee shall at the request of URCA furnish URCA with copies (in such format as URCA may specify) of any book, record or accounts as URCA may reasonably require.

21 GENERAL PERFORMANCE STANDARDS OBLIGATIONS

- 21.1 The Licensee shall make its best endeavours to comply with or exceed performance standards that have been agreed with URCA. Performance standards may be designed such that there is a balanced framework for penalties or rewards compared to historical or benchmarked performance and in these circumstances shall include “zones of acceptability” where no penalties or rewards would apply.
- 21.2 Where performance falls below agreed levels, the first step shall be discussion with URCA to assess the reasons, make and agree on corrections for poor performance as appropriate within such time as may be agreed between the Licensee and URCA and failing such agreement within such time as shall be directed by URCA.
- 21.3 The Licensee shall be given reasonable time to rectify poor performance levels and where performance continues to fall below the standard after those agreements, URCA may impose penalties for poor performance where the Licensee has not implemented the agreed on action plan.
- 21.4 The Licensee will report on its performance against all standards as reasonably required by URCA from time to time.
- 21.5 Having regard to any written representations received by URCA or upon its own motion, after giving the Licensee an opportunity to present its own perspective on the same, for reasons recorded in writing URCA may require the Licensee to revise Generation Performance Standards or Transmission and Distribution Electricity Supply System Planning and Reliability Standards and Transmission and Distribution Electricity Supply System Operating Standards and the Licensee shall comply with the directions of URCA.
- 21.6 Standards may be reviewed at any time, whether initiated by the Licensee or URCA.

22 USE OF APPROPRIATE STAFF OBLIGATION

- 22.1 The Licensee shall, in connection with the conduct of its business of generating, transmitting, distributing and supplying electricity under the Licence, ensure that its employees are appropriately trained and qualified.

Part D – SPECIAL PROVISIONS APPLICABLE TO TRANSMISSION AND DISTRIBUTION

23 DUTIES OF LICENSEE

- 23.1 The Licensee shall develop and maintain an efficient, coordinated and economical Electricity Supply System of electricity transmission and distribution in the Service Territory.
- 23.2 Subject to the provisions of this Licence and to the technical and economic constraints regarding access to the Electricity Supply System, the Licensee shall provide access to its

transmission and/or distribution Electricity Supply System as appropriate, and interconnection access and service, on a non-discriminatory basis to facilities that it operates on approved requests by IPPs and, where appropriate, other approved transmission licensees.

23.3 Any dispute as to the terms and conditions on which such transactions take place may be determined by URCA.

23.4 The Licensee shall have no obligation to connect IPPs until after the parties have agreed that the installation and commissioning have been completed to the satisfaction of both parties. Where there is disagreement either party may apply to URCA to determine the issue.

24 TRANSMISSION AND DISTRIBUTION STANDARDS

24.1 The Licensee shall design, build, operate and maintain the Electricity Supply System for the transmission and distribution of electricity in accordance with the latest revisions of the Standards issued by recognised international standards institutions such as the National Fire Protection Association (NFPA), International Electro-technical Commission (IEC); the Institute of Electrical and Electronic Engineers (IEEE); the American National Standards Institute (ANSI); the Institution of Engineering and Technology (IET); the Canadian Standards Association (CSA).

24.2 The Licensee shall propose standards to URCA for its consideration.

24.3 When requested by URCA, the Licensee shall file with URCA a schedule of the applicable standards that relate to its transmission and distribution operations along with the references in soft copy.

24.4 URCA shall review, approve, modify or amend such standards as necessary.

25 TECHNICAL SERVICE LEVELS (TRANSMISSION AND DISTRIBUTION)

25.1 The Licensee shall design, build, operate and maintain the Electricity Supply System for the transmission and distribution of electricity so as to achieve service levels in line with applicable industry best practice for similar Electricity Supply Systems and such other benchmarks as URCA may direct, after consultation with the Licensee.

25.2 Without limiting the requirements of Condition 26.1, when requested by URCA the Licensee shall submit to URCA a plan setting out its strategy for achieving the target service levels that will have been established in accordance with Condition 26.1.

25.3 URCA may direct the Licensee to update and resubmit the plans from time to time.

- 25.4 URCA may direct the Licensee as to matters to be included in the plans and may amend or replace such direction from time to time.
- 25.5 The service level targets and the plans submitted by the Licensee or any revisions thereof, once approved by URCA, shall form part of this Licence as a Condition.
- 25.6 The Licensee shall provide URCA with a written report on its achievements under the plans as requested by URCA.
- 25.7 The Licensee shall comply with any directions issued by URCA from time to time, regarding any other quality of service indicators and measurement methods for the transmission distribution and supply business and shall, as and when required by URCA, supply to URCA the results of its measurements of actual performance against any quality of service indicators and measurements so specified.
- 25.8 URCA may publish or require publication of such information as it considers appropriate.

26 TECHNICAL AND OPERATIONAL CODES

- 26.1 The Licensee shall, in consultation with any other Licensee liable to be materially affected thereby and such other persons as URCA shall consider appropriate, develop and implement, at the request of URCA, such technical and operational codes as URCA may, from time to time, direct.
- 26.2 The Licensee shall, in consultation with any other Licensee liable to be materially affected thereby and such other persons as URCA shall consider appropriate, periodically review (including at the request of URCA) such technical and operational codes as are developed and implemented by the Licensee pursuant to Condition 27.1.
- 26.3 Following the development of any technical and operational codes pursuant to this Condition 27 and the review of any such codes, the Licensee shall send to URCA:
 - (a) a report on the outcome of any consultation and of the review as the case may be; and
 - (b) any proposed revisions to any such code from time to time as the Licensee (having regard to the outcome of any consultation or review) reasonably thinks necessary; and
 - (c) any written representations or objections from any Licensee arising during the consultation process and not withdrawn.
- 26.4 Having considered the information provided pursuant to Condition 26.3 and such other relevant information, URCA may direct the Licensee to change any technical and

operational codes developed pursuant to Condition 26.1 and the Licensee shall comply with such directions.

- 26.5 The Licensee shall give or send a copy of all approved technical and operational codes (and any revisions thereto) developed and implemented by the Licensee pursuant to this Condition 26 to URCA and at the same time the Licensee shall make this information available generally by way of publication on the Licensee's website.
- 26.6 The Licensee shall comply with the provisions of any approved technical and operational codes insofar as applicable to it.
- 26.7 URCA may, following consultation in relevant circumstances with any Licensee liable to be materially affected thereby and such other Licensees and other parties as URCA shall consider appropriate, issue directions relieving the Licensee of its obligation under Condition 26.6 in respect of such part or parts of any approved technical and operational codes to such extent as may be specified in those directions.

Part E – SPECIAL PROVISIONS FOR SUPPLY

27 DUTIES OF LICENSEE

- 27.1 The Licensee shall design, build, operate and maintain an efficient coordinated and economical Electricity Supply System of electricity supply to consumers and its customers, in the Service Territory.
- 27.2 The Licensee shall at all times during the term of this Licence or any extension thereof furnish and maintain a supply of electricity for public and private use in accordance with reasonable standards of safety and dependability as understood in the electricity supply business.
- 27.3 The Licensee has a duty to connect any person, having obtained all required approvals from any governmental or other regulatory authority, desiring to obtain electric service and is qualified to enter into an agreement with the Licensee in accordance with the provisions of the Act. The Licensee shall connect such person on a non-discriminatory basis.

28 DUTY TO ENSURE LONG-TERM ELECTRICITY SUPPLY SYSTEM

- 28.1 Subject to the provisions of this Licence and directions of URCA, the Licensee shall ensure that the development of the Electricity Supply System is implemented based on agreed Long Term Planning procedures and methodologies and that investments are made consistent with such plans and in conformity with prudent utility practice so as to ensure adequacy and continuity of supply at the least economic cost at the same time ensuring that the Licensee earns a reasonable return on its investment.

- 28.2 The Licensee shall plan and operate its transmission and distribution Electricity Supply System to ensure that subject to the availability of adequate power of appropriate quality, the Electricity Supply System is capable of providing consumers with a safe, reliable and efficient supply of electricity.
- 28.3 In developing the Electricity Supply System plans, URCA and the Licensee shall have regard to the Government's energy and electricity policies as the case may be.
- 28.4 The Licensee shall not, without the prior written consent of URCA, permanently close, retire or cease operating any Generation Set, such consent shall not be unreasonably withheld.

29 **TECHNICAL SERVICE LEVELS (SUPPLY)**

- 29.1 The Licensee shall submit to URCA a plan setting out its strategy for achieving the service levels in line with international best practice and such other benchmarks as URCA after consultation with the Licensee, may direct from time to time.
- 29.2 URCA may direct the Licensee to update and resubmit the plans from time to time.
- 29.3 URCA may direct the Licensee as to matters to be included in the plans and may amend or replace such direction from time to time.
- 29.4 The service level targets and the plans submitted by the Licensee or any revisions thereof, once approved by URCA, shall form part of this Licence as a Condition and the Licensee shall be deemed to be in breach of its Licence if the target levels are not achieved.
- 29.5 Upon request the Licensee shall provide URCA with a written report on its achievements under the plans, as set out in Condition 30.2.
- 29.6 The Licensee shall comply with any directions issued by URCA from time to time, regarding any other quality of service indicators and measurement methods for the supply business and shall, as and when required, supply to URCA the results of its measurements of actual performance against any quality of service indicators and measurements so specified.
- 29.7 URCA may publish or require publication of such information as it considers appropriate.

30 **STANDARDS**

- 30.1 Upon request, the Licence shall file with URCA a schedule of the applicable standards that relate to its supply operations along with the references.

31 SECURITY AND SAFETY OF SUPPLY

31.1 The Licensee shall make arrangements to keep each of its customers informed of the postal and email address, website address and telephone number of an enquiry service established and operated for the purposes of receiving reports from any person about any matter or incident that:

- (a) causes danger or requires urgent attention, or is likely to cause danger or require urgent attention, in relation to the supply of electricity; or
- (b) affects or is likely to affect the security, availability or quality of service of the Licensee's Electricity Supply System through which the relevant customer is supplied with electricity.

31.2 The enquiry service referred to in Condition 31.1 must be:

- (a) available to receive and process telephone reports and enquiries at all times on every day of each year; and
- (b) operational on the Commencement Date of this Licence.

31.3 The Licensee may discharge the duty imposed by Condition 31.1 by providing the requisite information to each of its customers on the occasion of the customer first commencing to take a supply from the Licensee and thereafter:

- (a) either:
 - (i) where bills or statements in respect of charges for the supply of electricity are rendered to the customer, on a quarterly basis (it being sufficient that the information is included on or with any bill or statement); or
 - (ii) in any other case, on an annual basis; or
- (b) by publishing such information on its web site and in such other manner as will, in the opinion of the Licensee, secure adequate publicity for it.

32 PREPARATION, REVIEW OF AND COMPLIANCE WITH CODES OF PRACTICE

32.1 The Licensee shall adhere to the applicable laws and the Licensee's Customer Protection Plan as filed by the Licensee and approved by URCA.

- 32.2 Notwithstanding Condition 32.1, the Licensee may issue codes of practice on its own volition.
- 32.3 The Licensee may review a code and the manner in which it has been operated with a view to determining whether any modification should be made to that code or to the manner of its operation, and shall do so on its own volition or whenever directed to by URCA.

33 JOINT USE OF POLES

- 33.1 The Licensee may enter into any arrangement or contract for the joint use of poles with other Licensees under the Act or any other relevant law so long as such use shall not contravene any other law or violate any safety code or, in the sole opinion of the Licensee, provide an unsafe working condition for the Licensee's employees. Such arrangements or contracts must be filed with URCA upon request.
- 33.2 The Licensee shall publish a code of practice for use by other Licensees setting out the procedures that are in place for management of these joint-pole arrangements and the standards for use of its poles by these companies.
- 33.3 A copy of the code of practice, along with the scale of charges that may be in effect for the time being must be deposited with URCA as requested by URCA.
- 33.4 The prices which the other Licensees are charged by the Licensee for attachments to its poles shall be fair and reasonable.

Part F – SPECIAL PROVISIONS FOR GENERATION

34 DUTIES AS ELECTRICITY SUPPLY SYSTEM OPERATOR

- 34.1 The Licensee shall dispatch sufficient generating capacity to meet Electricity Supply System requirements in a prudent manner taking into consideration various operating considerations, including but not limited to least-cost, planned and forced generator maintenance schedules and operating reserves (both on-peak and off-peak) and subject to the terms and conditions of any PPAs.
- 34.2 The Licensee shall as far as is practicable and safe dispatch available generation in such a manner that the energy produced and dispatched is at the least cost to consumers.
- 34.3 The Licensee may purchase some or all of its energy and/or capacity requirements from Independent Power Producers (IPPS) pursuant to relevant PPAs.

- 34.4 The Licensee may purchase the electricity output from renewable or alternate energy sources on an energy only or capacity and energy basis as appropriate in accordance with the procedures agreed with or established by URCA and subject to relevant PPAs.
- 34.5 The Licensee shall ensure that adequate reserve generating capacity, both spinning and cold standby, is available at all times to meet the guidelines promulgated by URCA, such guidelines to be developed by URCA in consultation with the Licensee.
- 34.6 The Licensee may provide such reserve capacity itself or may contract some or all of it to any base-load Independent Power Producer with whom a PPA has been signed.
- 34.7 In the event of a catastrophic failure the Licensee shall take such actions as may be prudent, in consultation with URCA, to secure adequate replacement capacity.
- 34.8 Except as authorized by URCA in connection with purchases of renewable energy from customer-owned generation for self-supply, the Licensee shall not purchase electricity from any person other than an IPP and may not purchase electricity from an IPP except in accordance with the relevant PPA.
- 34.9 Subject to satisfactory inspection of the interconnection by the Inspector and by the Licensee, consumers who generate renewable energy for self-supply may sell energy to the Licensee, and the Licensee may purchase such renewable energy at rates to be proposed by the Licensee and approved by URCA.
- 34.10 The Licensee shall file with URCA, from time to time, its proposals that describe the basis on which, and the rates at which such consumers may sell energy to and purchase energy from the Licensee, which proposals will be subject to URCA's review and approval.
- 34.11 The Licensee shall establish and maintain a register of these consumers, which shall be filed with URCA and which must be updated as URCA may direct from time to time.

35 MERIT ORDER DISPATCH

- 35.1 The Licensee shall dispatch sufficient generating capacity to meet the Electricity Supply System requirements in a prudent manner having regard to various operating conditions including but not limited to least cost, planned generator maintenance schedules and operating reserves. In this regard, the Licensee shall:
- (a) establish and operate a merit order Electricity Supply System, for generation sets that are subject to central dispatch; and
 - (b) schedule and issue direct instructions for the dispatch in accordance with the merit order Electricity Supply System, as established, of all available generation

sets which are required or are agreed to be subject to such scheduling and instructions.

35.2 The Licensee shall provide reports to URCA on its dispatch of generators, including a load duration curve for the peak day in the month, status of plant in service, capacity factor, fuel usage and efficiencies and any other information which URCA shall reasonably request.

36 GENERATION CODE

36.1 The Licensee shall have in force at all times and comply with a generation code, consistent with internationally accepted technical standards and which is in accordance with prudent utility practice:

- (a) covering all material technical aspects relating to the operation of its Generation Facilities insofar as they affect the Electricity Supply System, the operation of electric lines and electric plant connected to that Electricity Supply System;
- (b) setting out the rules and procedures which govern the dispatch of generators;
- (c) setting out the rules and procedures which provide for safe and secure operation of its generating facilities; and
- (d) which is designed to ensure:
 - (i) the development, maintenance and operation of an efficient, co-ordinated and economical Electricity Supply System for the generation of electricity; and
 - (ii) the promotion of the security and efficiency of the generation facilities as a whole.

36.2 Any generation code in force at the Commencement Date shall be filed with URCA on the request of URCA. Thereafter, the Licensee shall periodically on its own volition or on the request of the URCA, review the generation code.

36.3 The Licensee shall keep URCA informed of the submissions to any review process and of any consequent proposals for revisions, which shall be subject to the review and comment by URCA.

36.4 URCA may, following consultation with the Licensee, issue directions suspending the Licensee's obligations to implement or comply with the generation code to such extent as may be specified in the directions.

36.5 In the event that such a suspension is granted, the Licensee shall take all necessary action to ensure compliance with obligations for which the suspension has been issued

as soon thereafter as is practicable and shall immediately notify URCA when it is again in full compliance.

37 ADDITION AND REPLACEMENT OF GENERATION CAPACITY

37.1 The Licensee shall procure adequate generation supply, in terms of required energy, capacity and ancillary services to fully meet the needs of its consumers.

38 RENEWABLE ENERGY DEVELOPMENT AND OPERATIONS

38.1 The Licensee shall develop renewable and alternate energy resources for electric power generation in accordance with this Licence, the Act and Government energy and electricity policies.

38.2 The Licensee shall develop and implement a Standard Offer Contract (SOC), which shall be subject to approval by URCA and which shall reflect the objectives of Government's policy, to facilitate and encourage the development of renewable energy supply at the customer level.

39 LONG TERM PLANNING PROCEDURES AND STANDARDS

39.1 The Licensee shall submit to URCA for approval any Long Term Planning procedures. Such procedures shall set out the methodology which will be used by the Licensee to prepare its expansion plans and shall conform to internationally accepted best industry practice.

39.2 The Licensee shall submit any expansion plans to URCA for approval and URCA, when satisfied that a plan represents the least economic costs for Electricity Supply System expansion consistent with internationally accepted best industry practice, shall consult with the Government on the plan and following which URCA shall:

- (a) approve the plan; or
- (b) refer the plan to the Licensee for further consideration.

39.3 Revisions to the Long Term Planning procedures may be done by the Licensee at URCA's request or on the Licensee's initiative, which shall be subject to URCA's approval, taking into account developments in internationally accepted best industry practice.

PART G – PRICE CONTROLS MECHANISM AND TARIFFS

40 **TARIFF PRINCIPLES**

40.1 Subject to Condition 43 as contained herein, URCA shall determine the Licensee’s rates for electric power pursuant to its powers under the Act as amended from time to time and on the principles set out therein.

41 **TARIFF REVIEWS**

41.1 URCA shall conduct the Tariff Review in accordance with the procedure set out under the Act.

PART H – TRANSITIONAL CONDITIONS

42 On the Commencement Date, in order to enable a smooth transition to the full force and effect of this Licence, all rates, tariffs, codes and standards applicable to the Licensee existing and in force prior and up to the grant of this Licence which would normally have effect under the Act shall remain in effect and force until such time as they are logically and practically superseded by the actions taken by URCA under this Licence, the Act or any other relevant law.

42.1 For the avoidance of doubt, if there is a conflict between the terms in this Licence and the terms in the Act, the terms in the Act shall apply.